Ad Hoc Integrated Energy Policy Report (IEPR)
Committee Hearing on the

Staff Report
Electricity and Natural Gas Assessment Report

August 26-27, 2003
9:30 a.m.
Hearing Room A

QUESTIONS

The Notice of Committee Hearings (Docket 02-IEP-01), dated August 6, 2003, indicated that the IEPR Committee would publish a list of discussion questions for each of the hearings identified in the notice. The Committee has developed the following questions related to the ***Electricity and Natural Gas Assessment Report***, which it encourages participants in the August 26 and 27 hearing to address:

General

1. Has the report captured the major policy issues facing California's electricity and natural gas industries? Are there challenges or policy issues that should be included or discussed?

2. Are the technologies needed to meet the State's electricity and natural gas policy goals available? If not, can the State do anything to accelerate the development of the needed technologies? Are there opportunities emerging from research and development that should be addressed in this report?

3. Are regulatory or legislative actions needed to manage the challenges?

Electricity and Natural

4. The report describes several electricity and natural gas scenarios used to evaluate the demand, supply, and price implications of various uncertainties. What insights should we draw from these cases?

5. Does relying on demand-side management, dynamic pricing, renewable resources, and distributed generation to meet the state's future needs introduce any greater demand, supply, or price uncertainty than relying on conventional resources in the current market environment? Does such a policy statement reduce regulatory uncertainty by laying out preferences and expectations? Does the report identify sufficient and timely checks on program performance to reduce uncertainties to acceptable levels?

6. How long would contract commitments need to be to induce licensees to construct power plants that are currently on hold? Do these projects offer particular advantages in terms of mitigating supply or price uncertainty? What other important barriers are there to the construction of licensed power plants? Are the ongoing electricity supply procurement activities likely to provide timely and adequate response from independent power producers?

7. Would a core-noncore electricity market design resembling that of California's natural gas market address the preference of some customer classes to be able to choose their electricity providers? Are there workable approaches to planning network expansions and upgrades associated with such a market design? Is technical research needed to facilitate a core-noncore market design?

   How much redundancy should be built into the system in terms of capacity

9. Given the natural gas price spikes that California has endured over the last 5 years, do the staff's low, baseline, and high projections of natural gas prices provide a reasonable bound for 2004 through 2013? Are there structural changes in the natural gas market that these projections fail to address? Are there other price forecasts that better reflect current conditions in the natural gas market?

10. What should the state's policy be regarding imports of electricity from other states or countries? Should the state consider the environmental, economic, and social impacts of out-of-state resources as a part of an electricity-import policy.

11. What is the current status of de-salination technology in applications that may be suitable for use in California? What, if any, are the energy supply and demand implications of deploying such de-salination technologies?

Environmental

12. Are there any policy issues relating to the environmental performance of the state's energy system that have not been raised in the three subsidiary IEPR staff draft reports or the Environmental Performance Report?

13. Are any legislative or regulatory actions needed to improve the environmental performance of the state's energy system?

14. Are any administrative, legislative, or regulatory actions needed to ensure the state's interests are adequately represented in the current surge of hydroelectric relicensing proceedings at FERC? Are there energy or environmental issues associated with the state's hydroelectric system that need to be addressed to achieve an appropriate balance of beneficial uses, including electricity production and environmental quality?

15. Do the state's older steam-fired power plants pose particular problems in terms of system reliability, efficiency, or environmental performance? Should the state encourage life extension and modernization, retirement, or replacement of these power plants? Are there particular areas of the state where reliability or environmental impacts demand particular attention and action?

16. How can the state balance the need for further air quality improvements with the need to maintain a reliable electric system? Can established retrofit proceedings adequately consider reliability and ancillary service requirements in their cost effectiveness analyses? Can their implementation be coordinated with other outages and retirements to avoid reliability issues? What, if anything, should the state do to encourage technical innovation in air pollution control technology?

17. What actions can or should the state take to address the contribution of its electric sector to global climate change? What actions can or should be taken to address the effects of GCC on the WECC generation system?

18. Do existing laws, regulations, and policies provide a basis for the Commission to require any power plant applicant to agree to use dry cooling or recycled water rather than fresh water unless that applicant can demonstrate to the Commission's satisfaction that neither option is practicable in its particular case?

19. Do existing laws, regulations, and policies provide a basis for the Commission to require any power plant applicant to agree to use zero liquid discharge unless that applicant can demonstrate to the Commission's satisfaction that the option is not practicable in its particular case?

20. Will the availability or cost of offsets constrain the siting of new power plants in the next few years? Would the establishment of mobile offsets provide for more development in certain areas of the state? Will the scarcity or cost of offsets for power plants provide an adequate and timely signal to encourage the development of additional offsets or advancements of emission control technologies? Is there a need for regulatory or legislative action or R&D funding enhance current offset markets or speed control technology development? Will the use of offsets for new power plants constrain the economic development of some regions within the state? Would replacement or retirement of older power plants provide a source of offsets for new power plants or other development? What are the benefits of creating international air basins that would allow offset trading across the US-Mexico border?

21. Do existing laws, regulations, and policies provide a basis for the Commission to require any applicant to agree to use dry cooling or recycled water rather than once-through cooling for a repowering or replacement project at an existing coastal power plant unless that applicant can prove to the Commission's satisfaction that neither option is practicable in its particular case? Are there site-specific impacts at existing coastal sites that would provide a rationale for repowering the facility?